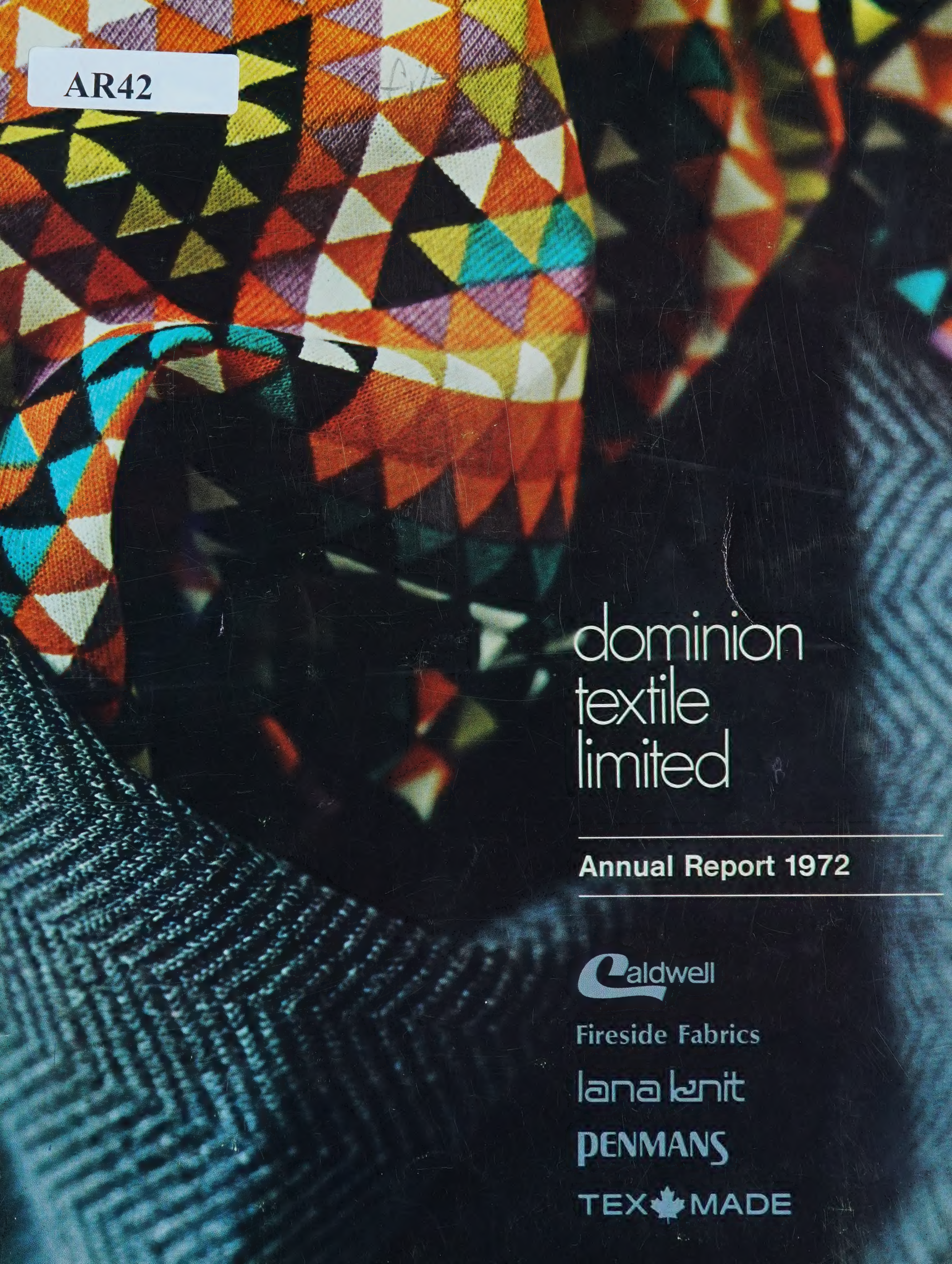


dominion textile limited

Annual Report 1972

Caldwell

Fireside Fabrics

lana knit

PENMANS

TEXMADE

Contents

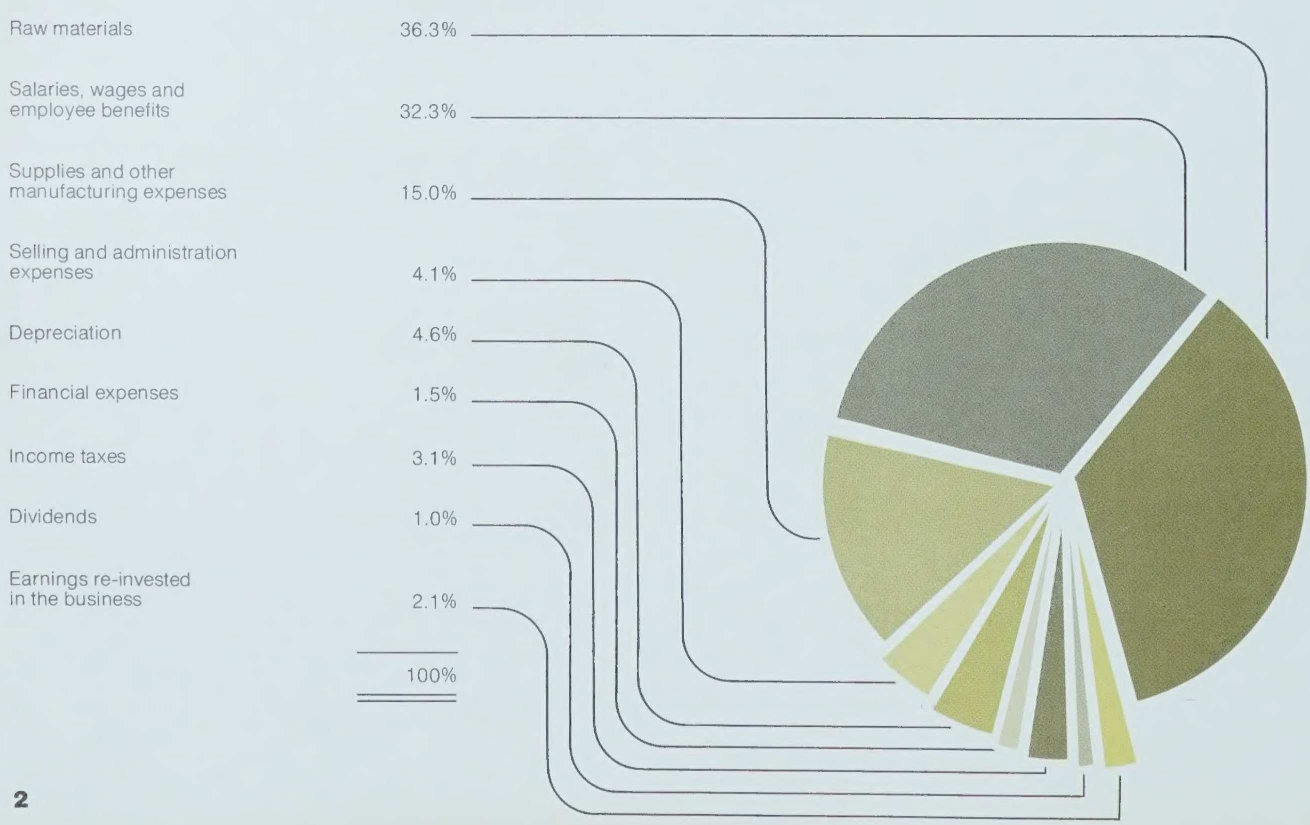
Annual Meeting

The annual meeting of shareholders will be held at 3:30 p.m. on Wednesday, October 18, 1972 at the head office of the Company, 1950 Sherbrooke Street West, Montreal.

Highlights
(in thousands of dollars)

	1972	1971
Sales	**$228,012**	$191,357
Income before income taxes	**14,191**	8,029
Net income before extraordinary item	**7,188**	4,281
Net income for the year	**7,188**	5,180
Cash generated from operations	**$ 22,179**	$ 16,440
Additions to fixed assets	**11,663**	6,662
Working capital	**54,673**	52,348
Long term debt	**38,792**	40,029
Shareholders' equity	**88,323**	85,755
In dollars per common share: Net income	**$ 2.75**	$ 1.97
Cash generation	**8.52**	6.31
Dividends	**.90**	.80
Book value	**33.72**	32.72
Number of employees	**10,957**	10,235
Salaries, wages, and employee benefits	**$ 73,703**	$ 64,973

Distribution of 1972 revenue dollar



The year's results

In 1972 consolidated sales reached a record level of $228 million. Income before income taxes rose to $14.2 million or 6.2% on total sales compared with 4.2% a year ago. Taxes charged against income during the year amounted to $7 million. For comparative purposes it should be noted that the 1972 fiscal year covered a 53-week period and about $4 million of the sales increase this year is the result of including the sales of certain subsidiaries for the full year, whereas last year they were available for consolidation for only part of the year. Also included in 1972 were sales of raw cotton amounting to $3.7 million arising out of special circumstances.

Net income of $7.2 million, equal to $2.75 per common share, represents a 40% increase over the $1.97 per share last year, which latter figure, however, included an extraordinary amount of 34 cents per share resulting from a tax credit on the loss carry forward from 1967.

Total dividend payments amounted to $2.4 million compared with $2.1 million in 1971. The total dividend paid was 90 cents per common share, which was 10 cents per share higher than in the previous year.

The increase in net income for the year resulted from improvements in nearly all aspects of the Company's operations. The higher sales volume reflected more buoyant consumer demand stimulated in part by more expansionary Government policies, resulting in higher operating levels and greater efficiency in our plants enabling us to offset the impact of increased operating costs and higher administrative expenses.

Our earnings from the double knit operations were substantially reduced due to the rapid decline in the price of textured polyester yarn and by the intense competition which developed in world markets.

The importance of the broad diversification of the Company's product mix and of the varied markets we serve was clearly evident in the past year. The investments made in recent years in machinery, plant and equipment and on acquisitions also contributed materially to the growth of sales and earnings during 1972, reinforcing our belief in the policy of reinvesting major sums of money on a continuing basis to maintain our operations at a high level of flexibility, modernity and efficiency and for growth-oriented acquisitions.

Acquisitions and capital outlays

The expansion of our knitting division during the past two years and the requirement to expand and better co-ordinate the dyeing and finishing of our knitted fabrics led us to examine a number of alternatives including construction of a new facility or the acquisition of an established operation. In June 1972 we made an offer to the common and preferred shareholders of Hubbard Dyers Limited to acquire all the shares of that company. To date we have acquired over 90% of each class of shares.

Hubbard Dyers are commission dyers and finishers of yarn and knit goods and have a long established reputation for quality and service. It is our intention to continue to operate Hubbard as commission dyers and finishers and to augment their growing business in this area from our own knitting plants.

Early in the year we acquired a 50% interest in DHJ Canadian Ltd. This specialized marketing operation was established on a joint basis with DHJ Industries Inc., New York, to serve the Canadian garment industry with a wide range of interlining fabrics.

During the course of the year, we purchased the remaining 50% interests in Fiberworld Limited and Brianyl Ltd. and acquired the minority interest from the shareholders of Elpée Limited. We also increased our holdings in Fireside Fabrics (Canada) Ltd. to 98.8%. Brianyl and Elpée will be integrated with other related areas of our operations.

E. F. King

R. H. Perowne

As part of a program designed to recognize changes in our marketing requirements, to simplify and reduce the cost of administration and to improve our overall cash generation, a number of subsidiaries, including the historic Montreal Cottons Limited, have been integrated into the parent company. Marketing of the products of Caldwell Linen Mills, Limited has been assumed by our Consumer Products Division.

In addition to these changes and investments, we spent approximately $12 million during the year on plant and equipment to improve efficiency and to meet the constantly changing technical demands and new product requirements of our varied markets. ~~A larger amount will be required during fiscal 1973 to continue and~~ accelerate our long term policy in this regard.

For many years, much emphasis has been placed on the protection of the environment and considerable amounts of money have been invested for this purpose. A further $4 million has been appropriated for continued improvements in this area during the next three years. Close liaison is being maintained with Government agencies and the communities in which our plants are located.

Textile policy

While the problem of imports from low-cost foreign sources continues, with imports per capita in Canada exceeding those of other countries by a considerable margin, we feel the Textile Policy as enunciated by the Hon. Jean-Luc Pepin, Minister of Industry, Trade and Commerce, has been helpful in establishing an improved environment for the textile industry in Canada.

During the fiscal year we experienced a very buoyant market in Canada for cotton sales yarn. This buoyancy, together with the action which had been taken in Ottawa previously to implement the recommendations of the Textile and Clothing Board to restrict further growth of cotton yarn imports from low-cost countries, enabled the Company to operate its sales yarn plants at full capacity. The benefits to this sector of the Canadian textile industry were considerable with stability and planned production efficiency and full weekly pay envelopes replacing the layoffs and short-time schedules which had plagued this part of our operations for many years.

The sales yarn case was the first to be heard by the Textile and Clothing Board and, since that time, the Board has completed five further studies in other sectors of the industry, two of which have been implemented by the Federal authorities. We are confident that beneficial results to the Canadian economy could manifest themselves in these instances as they did in the case of cotton sales yarn.

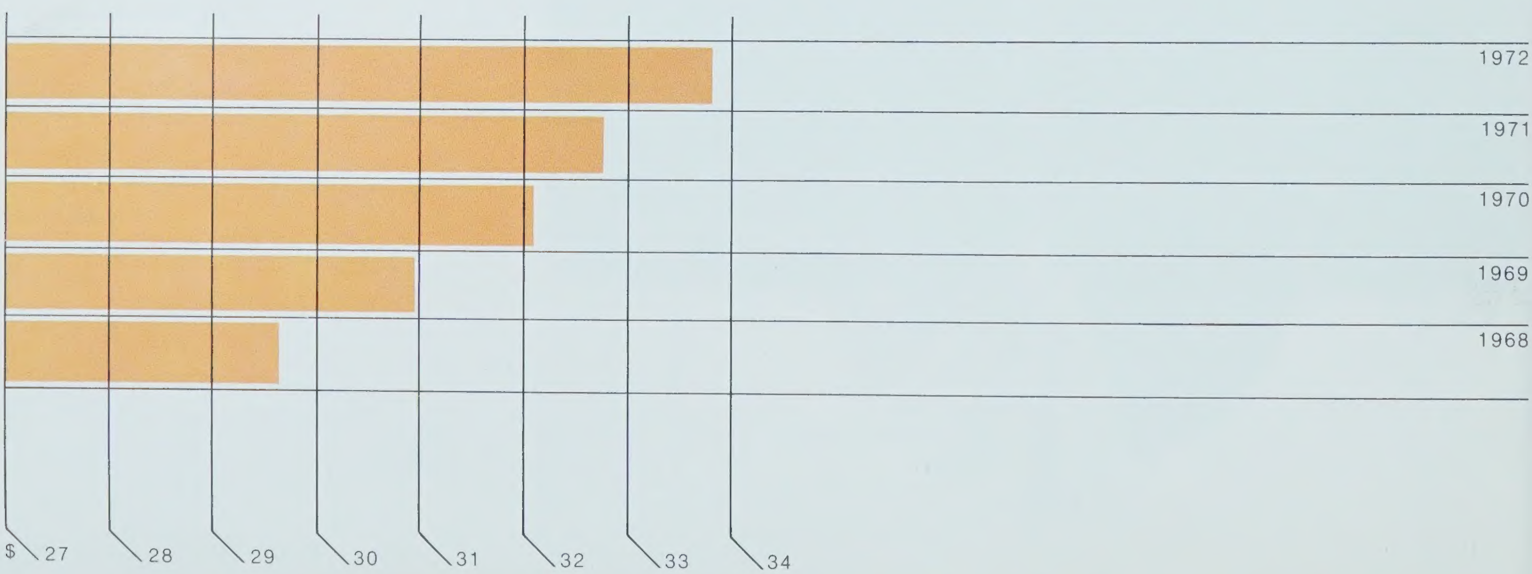
The necessity for keeping plant, machinery and equipment up to date by world standards is an important ingredient of the Textile Policy. We have met this criterion and our program for capital expenditures will continue to place the Company in the forefront of textile technology.

Given a reasonable climate, the opportunity exists for an even greater expansion of employment and its attendant benefits. The Company has repeatedly demonstrated its willingness to make substantial investments in modern facilities leading to the creation of additional jobs. The present demand for textiles, combined with the market potential for further growth, could provide sufficient stimulus to such expansion, particularly as the Government's Textile Policy develops a consistent and reasonable balance between the requirements of Canadian international trade relationships and the need for greater participation by Canadian manufacturers.

Directors

It is with deep regret that we record the death on May 26, 1972 of Marcel Faribault who served as a director of the Company since June 1962. Mr. Faribault served the nation and the business community with distinction and his wise counsel and mature judgment were of great value to this Company.

Book value per share



To comply with the provisions of the Company's By-laws, Frank H. Sobey will not stand for re-election to the Board of Directors at the forthcoming Annual Meeting. Mr. Sobey was first elected to the Board in 1962 and your Directors take this opportunity of recording their appreciation of his keen and lively interest in the affairs of the Company and the valuable contribution he has made to its growth.

We are pleased to announce that David F. Sobey, Executive Vice-President, Sobeys Stores Limited, has agreed to stand for election at the coming Annual Meeting.

We are also pleased to report the appointment of Jean Béliveau, Vice-President, Club de Hockey Canadien Inc., to the Board at its meeting on August 9, 1972.

Outlook

The trend in sales growth experienced during the year continued strongly through the fourth quarter and present indications are that the demand for our products will be sustained at high levels in the new fiscal year. The reduction in corporate income taxes which takes effect in January 1973 and the accelerated depreciation on new machinery and equipment will be beneficial to the Company.

It is expected that the Government will maintain its expansionary economic policies for the balance of the year and the Canadian economy should be growing more rapidly by the end of 1972. Major impetus to such growth should be given by sustained consumer spending, housing requirements, inventory accumulation and capital investment.

As we pointed out in our Annual Report a year ago, the key to success in the primary textile business in Canada is the ability to operate plants at their full productive capacity. Results reported this past year are tangible proof of what can be achieved by this Company when such conditions prevail.

The benefits of this high level of activity contribute in a variety of ways to the achievement of many of the stated social and economic goals of Government. The higher and more stable levels of employment and earnings which we are able to provide are vital to the economic life of the communities in which our plants are located. Not only are our employees and their families important consumers, but the many products and services we purchase as a company, together with the taxes we pay, generate further substantial benefits to the economy as a whole.

Our Company has been gaining momentum and we are confident that the skill and dedication of our people, new products and our marketing know-how will enable us to improve our competitive and profit position.

Submitted on behalf of the Board

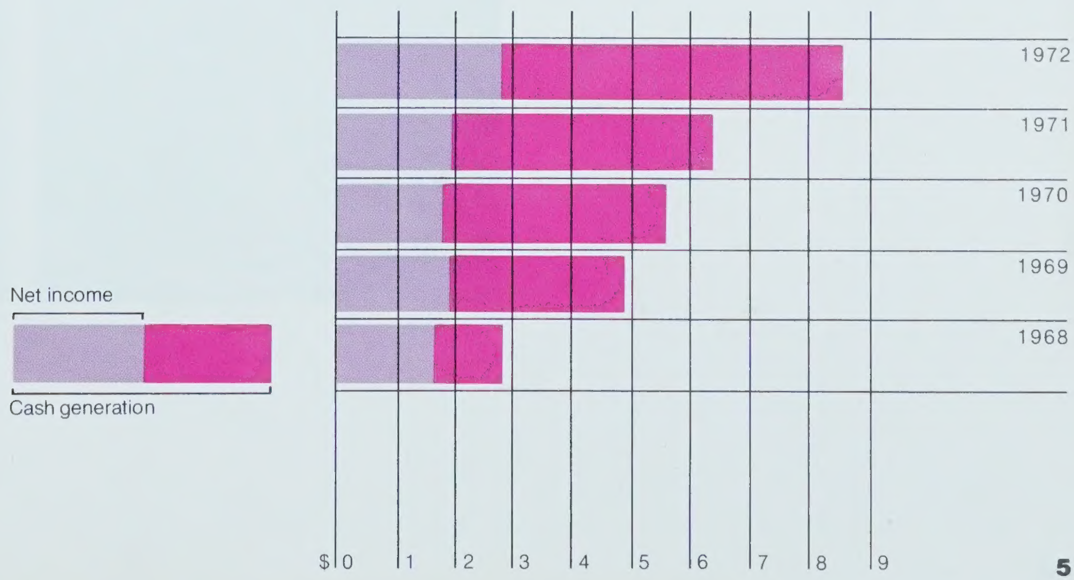
E. P. King

Chairman of the Board

President

Montreal, Quebec
August 9, 1972

Net income and cash generation per share



Operations

This year's sales performance has extended the upward trend of the previous year and, as shown in the following comparison of sales mix, gains were recorded in each segment of the business. Overall the increase is 19% and the total is a new high.

	1972	1971
	Millions	
Woven and knitted fabrics for the apparel trades	**$ 97.3**	$ 75.6
Cotton and blended yarn for knitters and weavers	**33.3**	29.5
Consumer products for the home including sheets, pillow cases, draperies, bedspreads and towels	**57.5**	53.1
Industrial fabrics for use by other manufacturing industries	**36.2**	33.2
Sales of raw cotton arising out of special circumstances	**3.7**	—
	$228.0	$191.4

The period covered by the report is 53 weeks compared with 52 weeks in the previous year.

These results reflect a more buoyant consumer attitude at retail counters across the country as well as a further dividend from our product diversification program of recent years. Our marketing/manufacturing team is constantly increasing its awareness of market needs and continues to prove its ability to move in step with the ever-changing demands.

Apparel fabrics recorded a remarkably successful year. At $97.3 million, sales represent 42.7% of the total consolidated sales volume and an increase of $21.7 million over last year. The highlights include: a very strong revival of woven cotton styling in the slacks, jeans, sportswear and outerwear trades featuring predominantly the sueded touch and look; increased interest in corduroys in a variety of end-uses; steady penetration of the "career apparel" markets by TEX-MADE polyester/cotton fabrics; and a broadening of the application of our double knit goods in many areas of men's wear.

Although we continued to expand our double knit sales during the year, the operations made a somewhat lower contribution to net income than we had expected earlier. While the volume in pounds shipped stood up very well, the dollar value of sales was considerably less than we had anticipated. Selling prices of double knit piece goods had to be reduced as worldwide prices of textured polyester filament yarn used in double knits declined rapidly during the last eight months with resulting inventory losses affecting earnings.

Our double knit plants are in full operation and we are optimistic that in the current year conditions will stabilize and profit margins will return to a normal level. With the purchase of Hubbard Dyers Limited we are in a position to improve our service and our competitiveness in the double knit markets.

Our single knit operation is a relatively small one and while showing some improvement over the previous year it has not yet achieved the status in the trade we feel it must attain. We continue to work on improving our position.

The past year has been a difficult one for the knitting industry both in Canada and abroad and undoubtedly recent conditions will introduce a much greater factor of realism into the business than has been the case to date.

During the year, the Company and DHJ Industries Inc., of New York, established a new marketing venture, DHJ Canadian Ltd., specializing in all types of interlinings for the apparel trades. The results of the operations for the first year were very satisfactory and indicate a good potential in this specialized field.

With higher activity in the knitting sector generally, our sales yarn business registered further increases over the previous year's peak achievement. In particular our market penetration with polyester/cotton, acrylic and other man-made fibres increased significantly, though cotton still retained its paramount position.

As we continue to develop the potential of the blend yarn markets we have reiterated our concern to Ottawa about deficiencies in the present yarn quota arrangements which apply only to cotton yarns. This places the Canadian industry in an extremely vulnerable position because of the possibility of substituting blend yarns,

T. R. Bell

C. A. McCrae

particularly polyester/cotton, not covered by quotas, for all-cotton yarns.

Increased retail sales and residential construction activity have boosted sales over the wide range of consumer products that we offer to a near record of $57.5 million. A continuing recognition of the strong fashion element throughout this segment, together with imaginative advertising and promotional programs, have played an important part in the successes achieved. Much attention has been directed to broadening the ranges offered to those who sew at home and these now include a wide selection of knits and corduroys.

During this year Penmans conducted an orderly phase-out of its hosiery operation after detailed studies indicated this to be an area of unsatisfactory earnings potential. The balance of the Penmans product lines showed improvement and we look to further gains in the year ahead.

As a major supplier to the automotive and related industries, sales in the industrial fabrics sector returned to more normal levels following the lengthy automotive strike of the previous year. This recovery also had a favourable impact on our domestic tire fabric business. The new tire cord treating unit at Drummondville became fully operational during the year and will provide the high degree of technical performance necessary to continue our leadership in this specialized field.

At Drummondville we have commenced trials in the new V-belt treating facility. Rated the most technically advanced in North America, it will provide the levels of quality essential for a major participation in the transmission belting market.

A further important development in the industrial fabrics segment of our business is the growing interest and demand for products made from man-made fibres. The Company has the facilities and technology to participate fully in this new area of opportunity.

During the year the upset in world currencies and the hardening of United States trade policies demonstrated once more the uncertainties of international trade. Exports were 8.5% of total sales (9% in 1971) but the product mix was quite different from a year ago. Tire cord and sales yarn exports were lower than last year but the reductions were offset by a substantial increase in corduroy sales due to a particularly strong demand in world markets. An attractive range of products and new marketing strategies in the European market enabled us to record gains there.

We have continued our policy of updating our plant, machinery and practices to ensure flexibility to meet new and changing market requirements, to improve efficiency and to compensate for increasing costs. Two projects recently started are the expansion of the bleaching and dyeing ranges at Beauharnois and a revamping of the consumer products facility at Magog.

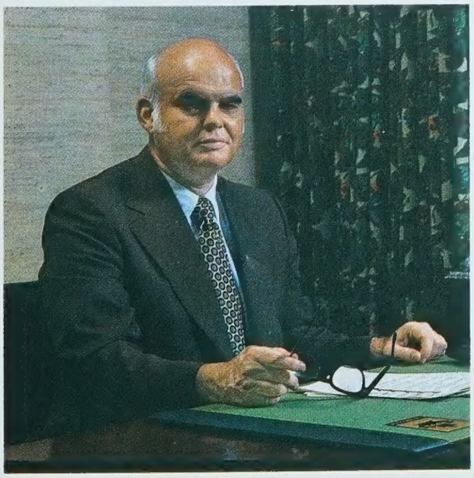
An interesting development during the year was the consortium arrangement that we entered into with Du Pont of Canada Limited for the joint operation of a larger computer facility. The objective of this program is to provide both companies with greater capacity for their growing computer requirements at lower cost and to provide for the mutual exchange of ideas in the increasingly complex field of programming and systems design. At the same time, it permits each company to retain its own capability in this vital management area.

The Company, through its own efforts, and in conjunction with industry associations, Government departments and task forces, and with customers, devotes a great deal of attention to programs and legislation designed to assist and protect the Canadian consumer and to fulfilling its responsibility to the community. These demanding but essential activities, covering subjects as varied as care-labelling, fibre identification, the metric system, pollution control and flame retardancy, are important elements in our forward planning.

Financial

In response to the higher level of sales and increased manufacturing activity net income in each quarter showed an increase over the same quarter a year ago, and a total increase of $2 million to $7.2 million for the year.

The net income per common share, after preferred dividends, was $2.75 in 1972. In 1971 the net income per common share was $1.97, including an extraordinary item of 34 cents per common share resulting from the recovery of a tax benefit arising from the 1967 loss carry forward.



A. P. Earle

In June 1972 the Company acquired Hubbard Dyers Limited. Because this acquisition was made so late in the fiscal year the sales and earnings of this company have not been included in the consolidated statement of income for 1972.

Federal and Provincial income taxes totalled $7 million in fiscal 1972, of which $2.6 million were taxes payable at current rates and $4.4 million was a reduction of the deferred tax debit. The rates of tax for the latter portion are those at which taxes were set up as deferred in previous years and were higher than the current rates of income taxes. The deferred taxes resulted principally from providing more depreciation in the accounts in earlier years than had been claimed for income tax purposes.

The cash generated from operations was $22.2 million compared with $16.4 million in 1971. Cash generated from operations is the total of net income and those items charged against income for which no cash outlay is required, namely depreciation and deferred taxes. The cash generated per common share was $8.52 compared with $6.31 last year.

Apart from the increase in the net income in the year under review, the improvement in cash generation was due to the amount of deferred taxes drawn down in the year. This was a result of the higher income before income taxes but is also due to the fact that the Company has returned to a normal tax position as was pointed out in last year's Annual Report.

Depreciation of $10.6 million was charged to operations in 1972, 5% more than in the previous year. The Company has continued its policy of amortizing the cost of buildings over a period of approximately 25 years and that of machinery and equipment over approximately 10 years. A decision has been taken to modify this policy during the forthcoming year so that assets will be depreciated on a "straight-line" basis over their estimated economic life. This change will not have a significant effect on the amount of the provision for depreciation next year.

The sustained growth in our business over the past two years has necessitated the acceleration of our capital expenditures program. Consequently, in 1972, expenditures for new facilities and equipment of $11.7 million were greater than originally anticipated and $5 million more than in 1971.

Major expenditures in plant and equipment for spinning, weaving, knitting and finishing were made which will benefit each segment of our business. Important projects included the V-belt facility at Drummondville which was started and completed within the year, expenditures of over $3 million in our knitting plants to meet the growing demand for knitted fabrics, and the commencement of expansion programs in our finishing plants at Magog and Beauharnois.

The Magog project will be completed in several phases extending into 1975 and will require a total investment of about $9 million. It includes a general upgrading of our facilities to ensure a continuing capability to meet complex product requirements, the creation of a distinct consumer products facility, the enlargement of in-plant warehousing, the reorganization and improvement of process flows and the improvement of the working environment within the plant. The project also includes provision of some $3 million for effluent water treatment.

At Beauharnois we are investing $2.5 million to increase the dyeing and bleaching capacity of this modern finishing plant. At Hawkesbury the expansion of the polypropylene extrusion and weaving plant of Fiberworld Limited will require an additional $2.5 million. Both of these programs will be completed within the current fiscal year.

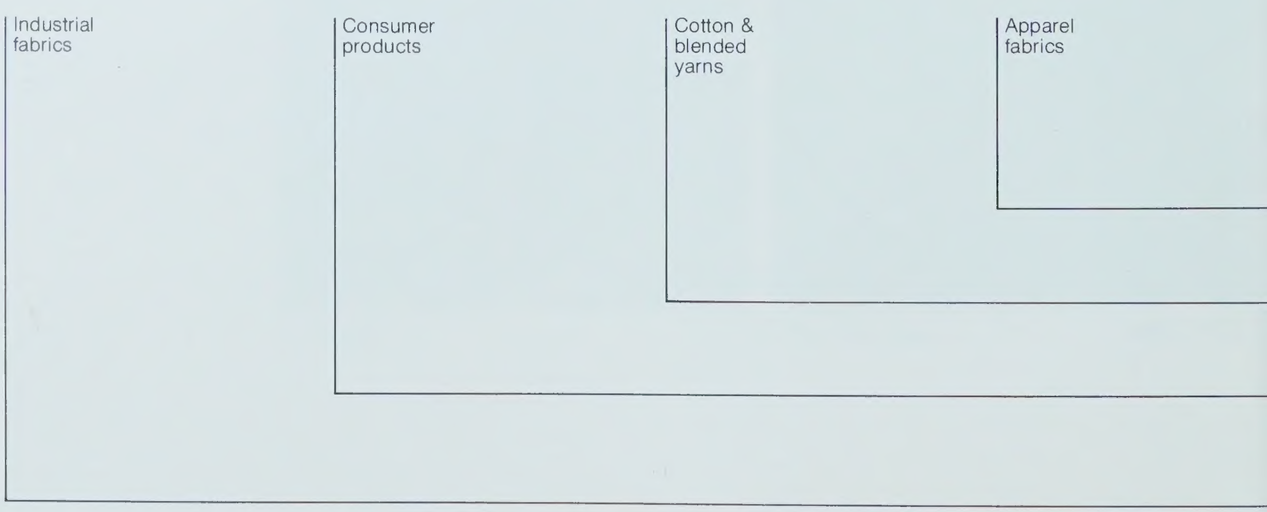
These projects together with a number of programs in line with our traditional policy of upgrading our spinning and weaving facilities indicate that capital expenditures in fiscal 1973 will exceed $20 million.

The Company is considering various alternatives including the possibility of additional long term debt financing to meet these expenditures and the growing needs of its business.

During the fiscal year 1972, Dominion Textile Limited and its subsidiary companies accepted offers of grants under the Federal Government's Regional Development Incentives Act totalling $553,000 for capital spending projects aggregating $5,906,000.

New investment in subsidiary and affiliated companies was $5.2 million of which the most significant was for the acquisition of Hubbard Dyers Limited. A public offer was made to the common and preferred shareholders of that company of $12.50 and $14.00 per

Sales by major product classification
(Millions of dollars)



share respectively, with a total purchase price of approximately $4 million. To date over 90% of both the common and preferred shares have been acquired under the terms of the offer. The assets and liabilities of Hubbard have been incorporated into the consolidated balance sheet as at June 30, 1972.

Other investments included the acquisition of the balance of the outstanding shares in Brianyl Ltd., Elpée Limited and Fiberworld Limited and most of the remaining outstanding shares of Fireside Fabrics (Canada) Ltd.

The final instalment of $1,875,000 on the 6¾% serial debentures was paid during the year and $1,325,000 of our 5⅝% series A debentures and $400,000 of our 6¾% series B debentures were purchased. We have now accumulated $3,265,000 and $505,000 of the series A and series B debentures respectively in anticipation of future sinking fund requirements. Total long term debt at June 30, 1972 was $38.8 million including $800,000 from the consolidation of Hubbard Dyers Limited.

On June 30, 1972 the Company had $54.7 million in working capital, an increase of $2.3 million from a year ago. The working capital ratio at the year end was 1.85 to 1 compared with 2.03 to 1 last year. The increases in current assets and current liabilities generally reflect the higher level of business activity, the consolidation of the accounts of new subsidiaries and in comparison with last year higher inventories of raw cotton. Our position in cotton is sound in the light of world cotton supply and price conditions.

Short term debt including bank indebtedness, short term notes, and long term debt due within one year increased by $8.9 million during the year and totalled $43.4 million at June 30, 1972.

During the past year we paid dividends of 90 cents per share of common stock and $7.00 per share of preferred stock, totalling $2.4 million, compared with $2.1 million in the previous year. The common dividend included a special payment of 30 cents per share in August 1971.

Shareholders' equity at June 30, 1972 was $88.3 million after writing off $2.2 million representing the net excess of the cost of investments made during the year in subsidiary companies over the aggregate book value of the net assets of such subsidiary companies. Net income was 8.38% on shareholders' equity at the beginning of the year compared with 6.15% in the previous year.

At June 30, 1972 the book value of a common share was $33.72 against $32.72 last year.

Employee relations

In a year in which the high level of unemployment was a matter of major concern in Canada, Dominion Textile Limited and its subsidiary companies increased their work force by 683 to 10,957 excluding employees of the recently acquired Hubbard Dyers Limited. During the year the Dominion Textile group paid a total of $73.7 million to its employees in salaries, wages and fringe benefits.

During the last half of the fiscal year, the Company negotiated new labour agreements with various unions representing most of its employees. These agreements are for a duration of three years expiring in 1975. At the time of writing, negotiations are continuing with employees at three of our plants in Ontario.

As part of our continuing summer employment program 41 students were hired by the Company in various project-oriented assignments specifically tailored to the Company's needs. The students were recruited from various academic levels and geographic locations in Quebec and Ontario and were assigned to our Head Office facilities and to our finishing plants.

In addition, the Company's training and development program was expanded during the year. Approximately 1,000 of our employees participated in this program either through on-the-job training or through participating in courses offered by various educational institutions.

Dominion Textile Limited and Subsidiary Companies

Consolidated Balance Sheet as at June 30, 1972

ASSETS

	1972	1971
Current assets		
Cash and short term deposits	$ 3,751,000	$ 3,054,000
Accounts receivable	38,273,000	33,647,000
Inventories—at lower of cost and net realizable value (Note 1)	75,408,000	65,095,000
Prepaid expenses	1,659,000	1,534,000
	119,091,000	103,330,000
Investments and advances (Note 2)	10,346,000	12,131,000
Fixed assets—at cost		
Land and buildings	61,666,000	58,059,000
Machinery and equipment	140,146,000	127,985,000
	201,812,000	186,044,000
Less: Accumulated depreciation	146,061,000	135,055,000
	55,751,000	50,989,000
Deferred charges		
Income taxes	5,910,000	10,472,000
Unamortized debenture expense	168,000	186,000
Other	509,000	377,000
	6,587,000	11,035,000
	$191,775,000	$177,485,000

On behalf of the Board:

Director

Director

LIABILITIES

	1972	1971
Current liabilities		
Bank indebtedness (Note 3)	**$ 17,318,000**	$ 7,043,000
Short term notes	**25,750,000**	25,260,000
Accounts payable and accrued liabilities	**17,758,000**	13,089,000
Dividends payable	**399,000**	399,000
Income and other taxes	**2,880,000**	2,971,000
Long term debt due within one year	**313,000**	2,220,000
	64,418,000	50,982,000
Long term debt (Note 4)	**38,792,000**	40,029,000
Minority interest in subsidiary companies	**242,000**	719,000
SHAREHOLDERS' EQUITY (Note 6)		
Capital stock		
7% Cumulative Preference		
Authorized—20,000 shares $100 par value		
Outstanding—8,029 shares (1971—8,297 shares)	**803,000**	829,000
Common		
Authorized—7,500,000 shares no par value		
Issued—2,595,774 shares	**20,279,000**	20,279,000
Retained earnings	**67,241,000**	64,647,000
	88,323,000	85,755,000
	$191,775,000	$177,485,000

Consolidated Statement of Income

for the year ended June 30, 1972	1972	1971
Revenue		
Sales	$228,012,000	$191,357,000
Income from marketable securities and investments	278,000	382,000
Equity in net income of 50% owned companies	204,000	241,000
Profit (loss) on sale of fixed assets and marketable securities	48,000	(275,000)
	228,542,000	191,705,000
Expenses		
Operating and administrative	199,162,000	168,500,000
Depreciation	10,558,000	10,046,000
Interest		
Long term debt	2,411,000	2,737,000
Other	2,220,000	2,393,000
	214,351,000	183,676,000
Income before income taxes	14,191,000	8,029,000
Income taxes	7,003,000	3,748,000
Net income before extraordinary item	7,188,000	4,281,000
Tax credit resulting from loss carry forward	—	899,000
Net income for the year	$ 7,188,000	$ 5,180,000
Per common share, after preferred dividends		
Before extraordinary item	$ 2.75	$ 1.63
After extraordinary item	$ 2.75	$ 1.97

Consolidated Statement of Retained Earnings

for the year ended June 30, 1972	1972	1971
Retained earnings at beginning of year	$ 64,647,000	$ 63,058,000
Net income for the year	7,188,000	5,180,000
	71,835,000	68,238,000
Net excess of the cost of the Company's investment during the year in subsidiary companies over the aggregate net assets of such subsidiaries	2,201,000	1,455,000
	69,634,000	66,783,000
Deduct:		
7% Preferred dividends	57,000	59,000
Common dividends $0.90 per share in 1972, $0.80 in 1971	2,336,000	2,077,000
	2,393,000	2,136,000
Retained earnings at end of year	$ 67,241,000	$ 64,647,000

Consolidated Statement of Source and Use of Funds

for the year ended June 30, 1972	**1972**	1971
Source of Funds		
Net income for the year	**$ 7,188,000**	$ 5,180,000
Depreciation	**10,558,000**	10,046,000
Deferred income taxes	**4,433,000**	1,214,000
Cash generated from operations	**22,179,000**	16,440,000
Decrease in marketable securities and advances	**1,607,000**	1,846,000
Other	**352,000**	862,000
	$24,138,000	$19,148,000
Use of Funds		
Repayment of long term debt	**$ 2,086,000**	$ 3,408,000
Additions to fixed assets	**11,663,000**	6,662,000
Investment in subsidiary and affiliated companies	**5,226,000**	4,312,000
Working capital deficiency of acquired subsidiaries	**445,000**	(1,263,000)
Dividends	**2,393,000**	2,136,000
	$21,813,000	$15,255,000
Increase in Working Capital	**$ 2,325,000**	$ 3,893,000

Note 1—Inventories

	1972	1971
The main inventory classifications are as follows:		
Raw materials	**$20,174,000**	$14,518,000
Work in process, including greys in bales for further processing	**24,264,000**	23,903,000
Finished goods	**26,344,000**	23,430,000
Supplies	**4,626,000**	3,244,000
	$75,408,000	$65,095,000

Note 2—Investments and Advances

	1972	1971
Marketable securities—at average cost (market value 1972—$6,922,000 1971—$6,812,000)	**$ 6,317,000**	$ 7,304,000
Investment in 50% owned companies—valued at the equity of Dominion Textile Limited in such companies*	**2,481,000**	2,795,000
Other investments and advances—at cost	**1,548,000**	2,032,000
	$10,346,000	$12,131,000

*During the year, the Company acquired the remaining 50% of the shares of Brianyl Ltd. and Fiberworld Limited. Because these companies are now wholly-owned subsidiaries rather than "affiliates" their financial statements are consolidated.

Note 3—Bank Indebtedness

Bank loans of $15,277,000 to certain subsidiary companies are secured by assignment of inventories and/or accounts receivable.

Note 4—Long Term Debt

	1972	1971
5⅝% Sinking Fund Debentures, Series A due March 31, 1988 Authorized and issued $32,000,000 less purchased for retirement	**$25,855,000**	$27,180,000
Sinking Fund payments of $960,000 are due March 31, in each of the years 1973 to 1987. (The Company has purchased $3,265,000 principal amount of debentures in anticipation of these payments)		
6¾% Serial Debentures, Series B final instalment of $1,875,000 paid April 15, 1972 Authorized and issued $7,500,000 less amounts repaid	**—**	1,875,000
6¾% Sinking Fund Debentures, Series B due April 15, 1990 Authorized and issued $12,500,000 less purchased for retirement	**11,620,000**	12,020,000
Sinking Fund payments of $375,000 are due April 15, in each of the years 1973 to 1989. (The Company has purchased $505,000 principal amount of debentures in anticipation of these payments)		
Other mortgages and secured loans	**1,630,000**	1,174,000
	39,105,000	42,249,000
Deduct: Amounts due within one year—included in current liabilities	**313,000**	2,220,000
	$38,792,000	$40,029,000

The debentures are secured by a floating charge on all the assets (except real and immovable properties) of the Company and certain subsidiaries.

Note 5—Statutory Information

	1972		1971	
	Number	**Amount**	Number	Amount
Remuneration of Directors and Officers				
As Directors of the Company	**11**	**$ 47,300**	11	$ 39,550
As Officers of the Company	**17**	**1,094,125**	22	956,485
Officers who are also Directors	**2**		2	

Note 6—Restrictions Under Trust Deed

The Deed of Trust and Mortgage relating to the Debentures contains certain restrictions, customarily found in Deeds of this type, pertaining to the amount of long term debt which may be issued, the declaration or payments of dividends and the reduction of capital. At June 30, 1972 the amount of shareholders' equity not restricted under the terms of the Trust Deed was $20,904,000.

Applicable to the Consolidated Financial Statements for the year ended June 30, 1972

The following accounting policies are used by the Company in the preparation of the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles and include the accounts of all subsidiary companies, with provision for the interest of minority shareholders.

The acquisitions of all subsidiary companies are accounted for on a purchase basis and earnings are included in the consolidated financial statements from the date of acquisition of control. The net excess of the cost of the Company's investment in subsidiary companies over the aggregate net assets has been written-off against retained earnings.

On consolidation all significant inter-company items are eliminated.

During the year the Company acquired control of Brianyl Ltd., and in June 1972 control of Fiberworld Limited and Hubbard Dyers Limited was achieved. The consolidated financial statements include the accounts of these subsidiaries.

Foreign Exchange

Assets and liabilities in foreign currencies are converted at the exchange rates prevailing at the balance sheet date. Income and expenses in foreign currencies are converted at the actual exchange rates prevailing at the dates of transactions or at average exchange rates for the year.

Consistency

The accounting principles are consistently followed from year to year except for occasional changes to reflect improved accounting practices, in which case the effect of any material change is duly indicated.

Inventory Valuation

Material and supplies in inventories are valued at the lower of average cost and net realizable value. The cost of work-in-process and finished goods inventories include raw material, direct labour and certain manufacturing overhead expenses. Adequate provision is made for slow-moving and obsolete inventories.

Marketable Securities

Marketable securities are valued at average cost and when they are sold, the resulting gain or loss is included in net income.

Investments—50% Owned Companies

The investment in the two 50% owned associated companies is carried at the Company's equity therein, and the Company's share of the net income or loss is recorded in the period in which it is incurred.

Fixed Assets and Depreciation

Fixed assets are stated at historical cost. Depreciation is provided on a straight-line basis at rates which amortize the cost of buildings over a period of approximately twenty-five years and that of machinery and equipment over approximately ten years.

When fixed assets are sold or scrapped, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in net income.

Pensions

The Company provides pensions for its employees. The hourly-paid employees are covered by non-contributory plans. There are a number of pension plans for salaried employees of the Company and its subsidiaries both of a contributory and a non-contributory nature. All pension plans are trusteed and are being funded. The current service cost portion of these plans is absorbed in the period in which the service that gives rise to the entitlement is rendered. The present value of the unfunded past service pension liability is estimated to be $5,300,000 at June 30, 1972 and is expected to be amortized on a systematic basis over the next nineteen years.

Pension payments made to retired employees who are not covered by these plans are charged to operations when paid.

The Shareholders,
Dominion Textile Limited.

We have examined the consolidated balance sheet of Dominion Textile Limited and subsidiary companies as at June 30, 1972 and the consolidated statements of income, retained earnings and source and use of funds for the year then ended. For Dominion Textile Limited and those of the subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For the subsidiary of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the report of the other auditors.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Montreal, Quebec
August 2, 1972

Results for the year (in thousands of dollars)	**1972**	1971	1970
Sales	**$228,012**	$191,357	$167,849
Income (loss) before income taxes	**14,191**	8,029	4,849
Income taxes (credit)	**7,003**	3,748	1,537
Net income (loss) before extraordinary item	**7,188**	4,281	3,312
Tax credit resulting from loss carry forward	**—**	899	1,338
Net income (loss) for the year	**7,188**	5,180	4,650
Interest on long term debt	**2,411**	2,736	2,869
Cash generated from operations	**22,179**	16,440	14,428
Additions to fixed assets	**11,663**	6,662	4,834
Depreciation	**10,558**	10,046	9,590
Year-end position (in thousands of dollars)			
Working capital	**54,673**	52,348	48,455
Fixed assets—at cost	**201,812**	186,044	180,982
Long term debt	**38,792**	40,029	43,267
Shareholders' equity	**88,323**	85,755	84,214
Statistics per common share (in dollars)			
Net income (loss)	**2.75**	1.97	1.76
Cash generation	**8.52**	6.31	5.53
Dividends	**.90**	.80	.60
Book value	**33.72**	32.72	32.10
Other statistics			
Working capital ratio	**1.85**	2.03	2.04
Net income (loss) as a percentage of sales	**3.15**	2.71	2.77
Net income (loss) as a percentage of shareholders' equity at the beginning of the year	**8.38**	6.15	5.70
Number of shareholders	**5,757**	6,602	6,947

1969	1968	1967	1966	1965	1964	1963
$173,270	$172,214	$129,585	$178,324	$161,601	$151,585	$137,324
3,332	(1,736)	(10,537)	14,302	12,363	13,266	11,323
(1,765)	(6,190)	(6,998)	5,119	6,101	6,709	5,292
5,097	4,454	(3,539)	9,183	6,262	6,557	6,031
—	—	—	—	—	—	—
5,097	4,454	(3,539)	9,183	6,262	6,557	6,031
3,051	3,178	1,951	2,050	232	272	313
12,812	7,558	3,227	18,610	14,058	14,333	11,322
2,773	3,333	19,314	31,139	19,765	10,564	7,104
9,556	9,547	9,257	8,713	7,796	7,776	5,308
47,400	45,206	43,376	40,444	58,946	44,552	44,576
176,982	178,197	180,840	163,628	126,486	108,286	100,502
45,440	49,535	52,000	32,000	37,450	5,900	6,350
81,566	78,201	75,743	80,651	74,489	71,517	68,128
1.93	1.68	(1.40)	3.50	2.39	2.50	2.30
4.90	2.87	1.21	7.13	5.40	5.51	4.35
.60	.80	1.00	1.25	1.20	1.20	1.00
30.94	29.61	28.65	30.53	28.30	27.14	25.86
2.03	1.90	1.71	1.89	3.89	2.83	3.11
2.94	2.59	(2.73)	5.15	3.87	4.33	4.39
6.52	5.88	(4.39)	12.33	8.76	9.62	9.29
7,128	7,098	6,766	6,790	6,856	6,737	6,970

Plants

Sales Yarn

Combed and carded; cotton, man-made and wool; natural, bleached and dyed

Domil, Sherbrooke, Quebec
Léopold Lamarre, Manager

Long Sault, Long Sault, Ontario
René Laurendeau, Manager

St. Anns, Montreal, Quebec
Léo Lemaire, Manager

Salaberry, Valleyfield, Quebec
Jos.-E. Huot, Manager

Tremont, Montreal, Quebec
Bernard Hamel, Manager

Mount Royal Dyehouse, Montreal, Quebec
Zbigniew I. Kustrzynski, Manager

Greige Fabrics

Caldwell, Iroquois, Ontario
Roland Johnson, Manager
Terry towels and towelling, dish towels and bath mats

Domil, Sherbrooke, Quebec
Phil. Théberge, Manager
Fabrics for men's and women's sportswear, rainwear and outerwear; shirting; filament mattress ticking

Drummondville, Drummondville, Quebec
Jacques Savoie, Manager
Tire cord and automotive fabrics, ducks, industrial hose, V-belt cords and belt fabrics, abrasion fabrics, industrial grey cloth, chafer fabrics, sewing twines and sales yarn

Gault, Valleyfield, Quebec
Gordon McD. Shaw, Manager
Drills, twills, cotton drapery fabrics

Long Sault, Long Sault, Ontario
Gaétan Raîche, Manager
Polyester/cotton broadcloths, batistes, outerwear and sportswear fabrics

Magog, Magog, Quebec
Roger Bouchard, Manager
Cotton broadcloths; cotton and polyester/cotton print cloth, drills and broadcloths; industrial fabrics

Montmorency, Montmorency, Quebec
Raymond Nicol, Manager
Cotton and man-made sales yarn; cotton and blend flannelette blankets, industrial grey cloth, towelling and twines

Mount Royal, Montreal, Quebec
Bernard Hamel, Manager
Bag cloth, soft filled sheeting, buffing cloth, industrial fabrics and print cloth

Richelieu, St. Jean, Quebec
Camille Beaulieu, Manager
Cotton and polyester/cotton broadcloths, twills, casement sateens, poplins and pocketing

Sherbrooke, Sherbrooke, Quebec
Raymond Bégin, Manager
Cotton and polyester/cotton sheeting for sheets, pillow cases and chenille; industrial fabrics

Converting and Finishing

Magog Print Works, Magog, Quebec
Robert L. Cooney, Manager
"A" Division: bleaching, dyeing, printing and finishing cotton and man-made fabrics
Consumer Division: sheets, pillow slips, towels and blankets

Beauharnois Finishing, St. Timothée, Quebec
A. Richard Tremaine, Manager
Bleaching, dyeing and finishing: cotton and man-made fabrics

Sales and Service

Dominion Textile Company (U.K.) Limited, London, England
Douglas B. Brick, Director
Company's selling agent for United Kingdom and Europe

Howard Cotton Company, Memphis, Tennessee
Herman F. Riddle, President
Purchases raw cotton for the Company and subsidiaries in world markets

Textile Management Services Inc., Montreal, Quebec
H. M. Stuart Ferguson, Vice-President and General Manager
Provides industrial engineering and in-process quality control services as well as undertaking general management consulting assignments for the Company and its subsidiaries

Subsidiaries

Brianyl Ltd., Montreal, Quebec
Edward F. King, President
Polyester double knit fabrics

Elpée Limited, Shawinigan Sud, Quebec
Gordon Largy, Vice-President—Operations
Yarns of man-made fibres for carpets and upholstery fabrics

Fiberworld Limited, Hawkesbury, Ontario
Joseph M. Vesely, Vice-President and General Manager
Polypropylene carpet backing

Fireside Fabrics (Canada) Ltd.,
Halifax Corduroy Ltd., Montreal, Quebec
T. Roy Hastings, Vice-President and General Manager
Corduroy fabrics

Hubbard Dyers Limited, Montreal, Quebec
Ira E. Parker, President
Commission dyers and finishers of yarn and knit goods

Jaro Manufacturing Company Limited, Woodstock, Ontario
Harold Hargreaves, General Manager
Non-woven fabrics of man-made fibres

Lana Knit Canada Limited, Montreal and Grand'Mère, Quebec
George F. Michals, Executive Vice-President
Double and single knit fabrics of wool, man-made fibres and blends

Penmans Limited, Brantford and Paris, Ontario; St. Hyacinthe, Quebec
Robert E. Evans, President
Men's, ladies' and children's underwear and sportswear, industrial knits and paper maker's felts

Associated Companies

DHJ Canadian Ltd., Montreal, Quebec
Albert E. Wilcox, Vice-President and General Manager
Interlining fabrics

The Esmond Mills Limited, Granby, Quebec
Frank H. Boone, General Manager
Blend blankets, bedspreads, table fashions and upholstery fabrics

Directors

Jean Béliveau, Montreal
Vice-President
Club de Hockey Canadien Inc.

*F. Ryland Daniels, Prescott, Ontario
Retired

†Marcel Faribault, LL.D., Montreal

J. Claude Hébert, Montreal
President and Chief Executive Officer
Warnock Hersey International Limited

*Edward F. King, Montreal
Chairman of the Board
Dominion Textile Limited

*D. Ross McMaster, Q.C., Montreal
McMaster, Meighen, Minnion, Patch & Cordeau
Barristers and Solicitors

Cal. N. Moisan, Montreal
President and General Manager
Standard Paper Box Ltd.

Arthur Pascal, Montreal
Secretary
The J. Pascal Hardware Co. Limited

*Ronald H. Perowne, Montreal
President and Chief Executive Officer
Dominion Textile Limited

Frank H. Sobey, Stellarton, Nova Scotia
Chairman of the Board
Sobeys Stores Limited

*Colin W. Webster, Montreal
Vice-Chairman of the Board
Canadian Fuel Marketers Ltd.

Kenneth A. White, Montreal
President
The Royal Trust Company

*Member of the Executive Committee

†Deceased May 26, 1972

Officers

Edward F. King,
Chairman of the Board

Ronald H. Perowne,
President and Chief Executive Officer

Group Vice-Presidents

Thomas R. Bell,
Operations

Charles A. McCrae,
Finance

Arthur P. Earle,
Services and Subsidiaries

Vice-Presidents

Hubert Chatelois,
Grey Plants

W. Hood Gambrell,
Finishing Plants

Robert W. Kolb,
Development Research

Lawrence G. McDonough,
Manufacturing

Lester J. Smith,
Fibre Procurement

William J. Veitch,
Administrative Services — Operations

Robert M. Wilson,
Marketing

Clifton Beck,
Secretary

Francis P. Brady, Q.C.,
General Counsel

William N. Gagnon,
Treasurer

Alex R. McAslan,
Comptroller

G. William Webster,
Assistant Treasurer

Stephen J. Weir,
Assistant Treasurer

Any way you say it . . .

DT:
an abbreviation familiar to employees

DTX:
a stock exchange listing symbol

SHUTTLE:
a cable address

DOMTEX:
an unofficial way to shorten the name, mainly used by financial papers

TEX-MADE:
a must when looking for quality in the most sophisticated range of textile products

DOMINION TEXTILE LIMITED:
that's the real name!

. . . it all adds up to quality!

Illustrated below is one of a number of attractively identified trucks used by the Company in Quebec and Ontario to transport goods between plants and to make bulk deliveries to customers.

DOMINION TEXTILE LIMITED

PRESIDENT RONALD H. PEROWNE'S ADDRESS

TO SHAREHOLDERS AT THE

ANNUAL MEETING HELD ON

OCTOBER 18, 1972

I sincerely hope that our stockholders share with the directors, management and employees of this Company some degree of satisfaction with the results achieved in our fiscal year which ended last June 30.

Dominion Textile is approximately sixty-seven years young, having first come into being in the year 1905. Since that time it has faced up to many challenges, it has experienced its full share of trials and tribulations and, while much still remains to be done, your Company has, in the year under review, attained new records of achievement in nearly every facet of its operations.

We have consistently pointed to the fundamental fact that it is impossible to attain an improved level of earnings in the textile industry unless the plants are running full. We have, in this past year, with isolated exceptions, maintained an order book that has permitted us to operate our impressive manufacturing facilities twenty-four hours per day, five days a week, and for many plants, six days.

We would have achieved a further improvement in earnings had it not been for the drastic price decline in world double knit markets during the last six months of our fiscal year. Fortunately for Dominion Textile, the strength derived from our policy of maintaining the highest degree of flexibility and diversification in the industry enabled us to capitalize on other segments of the market and thus reflect a marked overall improved earnings performance against the previous year.

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There is no question that the double knit industry in this country, and indeed throughout the world, has been going through a difficult period of adjustment with the supply catching up with demand and a surge in imports into the Canadian market combining with a reduction in the worldwide prices of textured polyester filament yarns used in the production of knits. The result has been a drop in the price of finished products and inventory losses, both of which have affected earnings. Our original approach to this business was taken with the full recognition that such a situation might well occur and while earnings from this source will continue to be affected adversely for the balance of this year, double knits are firmly established as part of the fashion scene, particularly in ladies' and men's outerwear, casual slacks and sportswear.

The acquisition of Hubbard Dyers in June of this year will improve our ability to serve and compete in this growing market and we are most heartened by the recent findings of the Textile and Clothing Board in Ottawa which will have the effect of preventing further erosion of the double knit market in Canada through the imposition of quotas against Japan, Taiwan, Hong Kong and South Korea.

You will have noted from our Annual Report that at that time we had concluded three year collective labour agreements with all of our plants except for three Ontario mills. I am pleased to report that earlier this month we reached agreement with the unions at these plants and contracts have now been signed

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covering our Long Sault Fabrics, Long Sault Yarns and Caldwell mills.

This meeting might be interested to know that, excluding our subsidiaries, Dominion Textile employs 8,000 people and 41% of this number has completed more than fifteen years of continuous service with our Company and 1,500 of them are members of our Quarter Century Club. We have, indeed, a substantial body of well-trained experienced operators in our plants and with the technological developments in our industry, our Company is able to provide stable employment for a variety of professional and technical skills ranging through the whole spectrum of engineering and computerized functions to the operation of highly automated machinery in our plants.

The Company is acutely aware of the necessity to equate wage and salary increases with productivity gains. This Company has done an outstanding job in this field over the years. We have accelerated our capital expenditure program during the past year and will continue to do so throughout the present fiscal year for the purpose of further improving cost efficiencies and to increase our production capabilities.

We are presently installing additional continuous bleach and dye ranges in our Beauharnois and Magog plants and we are now in the last stages of completing our automated yarn dyeing operations at the Mount Royal Dyehouse in Montreal. All of these facilities, together with our recently acquired Hubbard Dyers and the installation of rotary screen printing equipment at Magog, will provide us with greater flexibility and production capabilities during the year.

We commenced this new fiscal year with the heaviest customer order position in our Company's history and decisions have been taken to treble the output of polyolefin fabrics at our Fiberworld plant in Hawkesbury; we are adding 110 looms in our Long Sault Fabrics plant; we are increasing our production of wide sheeting through the replacement of narrow looms with the most modern high-speed Sulzer looms in our Sherbrooke plant, and we are restructuring our four sales yarn plants to more effectively service customer requirements. These and a number of other similar projects are either under way or will be launched during the next few months.

I should also tell you that in recent months, with the cooperation of the union and our employees, we have been able to effect a system of shift work which will increase the annual output of our Long Sault Fabrics plant by 20%, at the same time reducing the average weekly hours of work for the individual employee and increasing his take-home pay. This is the second of our plants which, by means of our special shift arrangements, is producing round-the-clock, 7 days a week.

Living as we do in a social environment where everyone expects more leisure time and wants to be paid for his leisure, we feel strongly that more emphasis and recognition has to be given to the economic fact of life that the burden of higher wages and more time off cannot be supported by manufacturing industry in this country without the maximum utilization of production capacity.

The proposed capital expenditures and the need to maintain an adequate working capital position, to meet the growing requirements of our business, pointed up

the need for additional long-term debt or equity financing at an early stage.

There were necessarily a wide range of alternative approaches open to us and all of them were carefully studied. It must be borne in mind, however, that in planning for our corporate financing requirements and this Company's financial structure at any time, a great many factors have to be considered and a number of objectives satisfied over the longer term. After considering all of the options available to us, and taking into account the conditions in the securities markets at this time, it is our belief that the courses of action we have implemented will prove to be the most beneficial for our share-holders, having regard for the principles of prudent and responsible financial management and the maintenance of a balanced financial structure.

One of the most important of these objectives quite obviously is to see that the position of our shareholders is protected and enhanced in value and that they receive a suitable and consistent return on their investment in this Company.

In August, the Directors indicated their intention to establish the regular quarterly dividend of 24 cents, or 96 cents per annum. The previous regular quarterly rate of 15 cents had been in effect since 1968. The first of these quarterly dividends at the new rate was declared at the September Board Meeting and was paid on October 16.

At the August meeting, the Board of Directors also proposed a 3 for 1 split of the Company's common shares. A Special General Meeting of Shareholders

will be held immediately following the conclusion of this Annual Meeting at which time you will be asked to consider a By-Law sanctioning this sub-division. The split, of course, would create a larger number of outstanding shares and reduce the market price proportionately. A greater number of shares should tend to gradually improve their marketability and we hope that the lower price will make it more attractive for the smaller individual shareholder and eventually lead to an increase in the number of shareholders.

On August 23 the Directors approved the filing of a preliminary prospectus with the various securities commissions across the country, providing for a public offering of $15 million of unsecured convertible debentures carrying an interest rate of 5-3/4% maturing in 1992. The option to convert these debentures into common stock is available to the holder for a period of ten years ending in October 1982. Each $1,000 debenture is convertible into 30 common shares which puts a price of $33-1/3 on the stock, compared with a market price of $29 on the day preceding the initial offering. If all the debentures are ultimately converted into common shares it will have the effect of adding 450,000 shares on a pre-split basis to those already outstanding.

The issue was underwritten and successfully marketed late in September by a representative group of Canadian investment dealers, headed by Wood Gundy Limited and the issue was completed on October 12 and is presently selling at a slight premium over the issue price.

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All the advice and information we were able to gather supported our decision to proceed to raise the money now rather than wait for the aftermath of the U.S. and Canadian elections as the markets and interest rates were stable and favourable for an issue of this type.

As far as the form of the recent financing is concerned, it is our opinion that a convertible debenture, with its lower coupon rate and the conversion premium in relation to current market levels for the stock, is less costly than issuing additional shares or rights which would have to be offered at a substantial discount or alternatively straight debentures which would have carried an additional 3% per annum interest cost over the term of the loan. Furthermore, we do not feel that the dilution factor at 14.7% is unduly large. In any case, the conversion is not likely to take place for quite a number of years down the road for the traditional pattern of convertible issues shows that the holders have not tended to exercise the conversion privilege at an early stage even where the market value of the shares exceeded the conversion price. When our operating results ultimately justify the conversion of the debentures to equity, the additional capital will form a desirable and necessary base for the next phase of our development.

Before I close my remarks I would like to comment very briefly on the results of our first quarter operations.

Consolidated sales for the 13 weeks ending September 30, amounted to $49.2 million compared to $47.5 million for the same period a year ago. It should

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be noted that the first quarter a year ago covered a 14-week period and thus included an additional week's sales, while the current figures reflect the operations of Hubbard Dyers and Fiberworld Limited for the first time.

After tax earnings for the latest quarter amounted to $587,000 or 22 cents per share in comparison with $479,000 which was equal to 18 cents per common share a year ago. Income per common share, giving effect to the increase in common shares which would be outstanding, assuming the conversion of all 5-3/4% convertible debentures, is 19 cents for the three months ended September 30, 1972.

As I have indicated to you before, the first quarter of the fiscal year is traditionally a difficult one in which to realize any significant operating profits. Sales in this quarter historically average approximately 20% of the year's total while a full 25% of the year's fixed overhead expenses are absorbed. This reflects the generally slower pace of activity during the summer months due in part to a two-week vacation shutdown of our plants - a practice which is also followed by many of our major customers.

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dominion textile limited

HIGHLIGHTS OF THE 1972 ANNUAL MEETING AND INTERIM REPORT

for the three months ended September 1972

Contents

BY-LAW XLV

At the special general meeting of shareholders By-law XLV, which provided for a 3 for 1 subdivision of the common shares, was sanctioned. The result of the vote was 1,655,631 shares in favour, or over 99% of the votes cast, and 209 shares against.

Address to Shareholders by
RONALD H. PEROWNE, President

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We have consistently pointed to the fundamental fact that it is impossible to attain an improved level of earnings in the textile industry unless the plants are running full. We have, in this past year, with isolated exceptions, maintained an order book that has permitted us to operate our impressive manufacturing facilities twenty-four hours per day, five days a week, and for many plants, six days.

We would have achieved a further improvement in earnings had it not been for the drastic price decline in world double knit markets during the last six months of our fiscal year. Fortunately for Dominion Textile, the strength derived from our policy of maintaining the highest degree of flexibility and diversification in the industry enabled us to capitalize on other segments of the market and thus reflect a marked overall improved earnings performance against the previous year.

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Employee Relations

You will have noted from our Annual Report that at that time we had concluded three-year collective labour agreements with all of our plants except for three Ontario mills. I am pleased to report that

earlier this month we reached agreement with the unions at these plants and contracts have now been signed covering our Long Sault Fabrics, Long Sault Yarns and Caldwell mills.

This meeting might be interested to know that, excluding our subsidiaries, Dominion Textile employs 8,000 people and 41% of this number has completed more than fifteen years of continuous service with our Company and 1,500 of them are members of our Quarter Century Club. We have, indeed, a substantial body of well-trained experienced operators in our plants and with the technological developments in our industry, our Company is able to provide stable employment for a variety of professional and technical skills ranging through the whole spectrum of engineering and computerized functions to the operation of highly automated machinery in our plants.

Capital Expenditures

The Company is acutely aware of the necessity to equate wage and salary increases with productivity gains. This Company has done an outstanding job in this field over the years. We have accelerated our capital expenditure program during the past year and will continue to do so throughout the present fiscal year for the purpose of further improving cost efficiencies and to increase our production capabilities.

We are presently installing additional continuous bleach and dye ranges in our Beauharnois and Magog plants and we are now in the last stages of completing our automated yarn dyeing operations at the Mount Royal Dyehouse in Montreal. All of these facilities, together with our recently acquired Hubbard Dyers and the installation of rotary screen printing equipment at Magog, will provide us with greater flexibility and production capabilities during the year.

We commenced this new fiscal year with the heaviest customer order position in our Company's history and decisions have been taken to treble the output of polyolefin fabrics at our Fiberworld plant in Hawkesbury; we are adding 110 looms in our Long Sault Fabrics plant; we are increasing our production of wide sheeting through the replacement of narrow looms with the most modern

high-speed Sulzer looms in our Sherbrooke plant, and we are restructuring our four sales yarn plants to more effectively service customer requirements. These and a number of other similar projects are either under way or will be launched during the next few months.

I should also tell you that in recent months, with the cooperation of the union and our employees, we have been able to effect a system of shift work which will increase the annual output of our Long Sault Fabrics plant by 20%, at the same time reducing the average weekly hours of work for the individual employee and increasing his take-home pay. This is the second of our plants which, by means of our special shift arrangements, is producing round-the-clock, 7 days a week.

Living as we do in a social environment where everyone expects more leisure time and wants to be paid for his leisure, we feel strongly that more emphasis and recognition has to be given to the economic fact of life that the burden of higher wages and more time off cannot be supported by manufacturing industry in this country without the maximum utilization of production capacity.

Financial Planning

The proposed capital expenditures and the need to maintain an adequate working capital position, to meet the growing requirements of our business, pointed up the need for additional long-term debt or equity financing at an early stage.

There were necessarily a wide range of alternative approaches open to us and all of them were carefully studied. It must be borne in mind, however, that in planning for our corporate financing requirements and this Company's financial structure at any time, a great many factors have to be considered and a number of objectives satisfied over the longer term. After considering all of the options available to us, and taking into account the conditions in the securities markets at this time, it is our belief that the courses of action we have implemented will prove to be the most beneficial for our shareholders, having regard for the principles of prudent and responsible financial management and the maintenance of a balanced financial structure.

One of the most important of these objectives quite obviously is to see that the position of our shareholders is protected and enhanced in value and that they receive a suitable and consistent return on their investment in this Company.

In August, the Directors indicated their intention to establish the regular quarterly dividend of 24 cents, or 96 cents per annum. The previous regular quarterly rate of 15 cents had been in effect since 1968. The first of these quarterly dividends at the new rate was declared at the September Board Meeting and was paid on October 16.

At the August meeting, the Board of Directors also proposed a 3 for 1 split of the Company's common shares. A Special General Meeting of Shareholders will be held immediately following the conclusion of this Annual Meeting at which time you will be asked to consider a By-law sanctioning this subdivision. The split, of course, would create a larger number of outstanding shares and reduce the market price proportionately. A greater number of shares should tend to gradually improve their marketability and we hope that the lower price will make it more attractive for the smaller individual shareholder and eventually lead to an increase in the number of shareholders.

On August 23 the Directors approved the filing of a preliminary prospectus with the various securities commissions across the country, providing for a public offering of $15 million of unsecured convertible debentures carrying an interest rate of 5¾% maturing in 1992. The option to convert these debentures into common stock is available to the holder for a period of ten years ending in October 1982. Each $1,000 debenture is convertible into 30 common shares which puts a price of $33⅓ on the stock, compared with a market price of $29 on the day preceding the initial offering. If all the debentures are ultimately converted into common shares it will have the effect of adding 450,000 shares on a pre-split basis to those already outstanding.

The issue was underwritten and successfully marketed late in September by a representative group of Canadian investment dealers, headed by Wood Gundy Limited and the issue was completed on October 12 and is presently selling at a slight premium over the issue price.

All the advice and information we were able to gather supported our decision to proceed to raise the money now rather than wait for the aftermath of the U.S. and Canadian elections as the markets and interest rates were stable and favourable for an issue of this type.

As far as the form of the recent financing is concerned, it is our opinion that a convertible debenture, with its lower coupon rate and the conversion premium in relation to current market levels for the stock, is less costly than issuing additional shares or rights which would have to be offered at a substantial discount or alternatively straight debentures which would have carried an additional 3% per annum interest cost over the term of the loan. Furthermore, we do not feel that the dilution factor at 14.7% is unduly large. In any case, the conversion is not likely to take place for quite a number of years down the road for the traditional pattern of convertible issues shows that the holders have not tended to exercise the conversion privilege at an early stage even where the market value of the shares exceeded the conversion price. When our operating results ultimately justify the conversion of the debentures to equity, the additional capital will form a desirable and necessary base for the next phase of our development.

First Quarter Results

Before I close my remarks I would like to comment very briefly on the results of our first quarter operations.

Consolidated sales for the 13 weeks ended September 30 amounted to $49.2 million compared to $47.5 million for the same period a year ago. It should be noted that the first quarter a year ago covered a 14-week period and thus included an additional week's sales, while the current figures reflect the operations of Hubbard Dyers and Fiberworld Limited for the first time.

After tax earnings for the latest quarter amounted to $587,000 or 22 cents per share in comparison with $479,000 which was equal to 18 cents per common share a year ago. Income per common share, giving effect to the increase in common shares which would be outstanding, assuming the conversion of all 5¾% convertible debentures, is 19 cents for the three months ended September 30, 1972.

As I have indicated to you before, the first quarter of the fiscal year is traditionally a difficult one in which to realize any significant operating profits. Sales in this quarter historically average approximately 20% of the year's total while a full 25% of the year's fixed overhead expenses are absorbed. This reflects the generally slower pace of activity during the summer months due in part to a two-week vacation shutdown of our plants—a practice which is also followed by many of our major customers.

Consolidated Statement of Income

Revenue

Sales
Income from marketable securities and investments
Equity in net income of 50% owned companies
Profit (loss) on sale of fixed assets and marketable securities

Expenses

Operating and administrative
Depreciation
Interest
Long term debt
Other

Income before income taxes
Income taxes

Net income for the period

Per common share, after preferred dividends (see note)

Note: Pro-forma net income per common share, after preferred dividends and giving effect to the increase in common shares outstanding assuming conversion of all 5¾% convertible debentures dated October 12, 1972, is $0.19 for the three months ended September 30, 1972.

Consolidated Statement of Source and Use of Funds

Source of Funds

Net income for the period
Depreciation
Deferred income taxes

Cash generated from operations
Decrease in marketable securities and advances

Use of Funds

Repayment of long term debt
Additions to fixed assets
Dividends
Other

Decrease in Working Capital

THOUSANDS Three Months ended September 1972	1971
$ 49,178	$ 47,529
55	95
86	1
121	(64)
49,440	47,561
44,687	42,864
2,672	2,680
587	620
596	426
48,542	46,590
898	971
311	492
$ 587	$ 479
$ 0.22	$ 0.18

THOUSANDS Three Months ended September 1972	1971
$ 587	$ 479
2,672	2,680
46	(329)
3,305	2,830
972	110
$ 4,277	$ 2,940
$ 893	$ 531
3,514	1,196
1,026	1,183
185	113
5,618	3,023
1,341	83
$ 4,277	$ 2,940

Directors

The following Board of eleven directors was elected at the annual general meeting:

Jean Béliveau
*F. Ryland Daniels
J. Claude Hébert
*Edward F. King
*D. Ross McMaster, Q.C.
Cal. N. Moisan
Arthur Pascal
*Ronald H. Perowne
David F. Sobey
*Colin W. Webster
Kenneth A. White

*Member of the Executive Committee

Auditors

Touche Ross & Co. were appointed auditors of the company.

Officers

At a meeting of the newly-elected Board of directors held following the general meeting of shareholders, the following officers were elected or appointed:

Edward F. King, Chairman of the Board
Ronald H. Perowne, President and Chief Executive Officer

Group Vice-Presidents

Thomas R. Bell, Operations
Charles A. McCrae, Finance
Arthur P. Earle, Services and Subsidiaries

Vice-Presidents

Hubert Chatelois, Grey Plants
W. Hood Gambrell, Finishing Plants
Robert W. Kolb, Development Research
Lawrence G. McDonough, Manufacturing
Lester J. Smith, Fibre Procurement
William J. Veitch, Administrative Services — Operations
Robert M. Wilson, Marketing

Clifton Beck, Secretary
Francis P. Brady, Q.C., General Counsel
William N. Gagnon, Treasurer
Alex R. McAslan, Comptroller
G. William Webster, Assistant Treasurer
Stephen J. Weir, Assistant Treasurer

Administrateurs

Les onze membres du conseil d'administration élus lors de l'assemblée annuelle sont :

Jean Béliveau	Cal.-N. Moisan
*F. Ryland Daniels	Arthur Pascal
J.-Claude Hébert	*Ronald H. Perowne
*Edward F. King	David F. Sobey
*D. Ross McMaster, c.r.	*Colin W. Webster
	Kenneth A. White

*Membre du comité exécutif

Vérificateurs

Touche Ross & Cie ont été nommé vérificateurs de la compagnie.

Direction

Au cours d'une réunion des membres du nouveau conseil d'administration tenue à la suite de l'assemblée générale des actionnaires, les personnes suivantes ont été élues ou nommées :

Edward F. King, président du conseil
Ronald H. Perowne, président et chef de l'administration

Vice-présidents de groupes

Thomas R. Bell, exploitation
Charles A. McCrae, finances
Arthur P. Earle, services et filiales

Vice-présidents

Hubert Chatelois, usines de fabrication grège
W. Hood Gambrell, usines de finition
Robert W. Kolb, recherches technologiques
Lawrence G. McDonough, fabrication
Lester J. Smith, approvisionnements en fibres
William J. Veitch, services administratifs à l'exploitation
Robert M. Wilson, mise en marché

Clifton Beck, secrétaire
Francis P. Brady, c.r., conseiller général
William N. Gagnon, trésorier
Alex R. McAslan, contrôleur
G. William Webster, trésorier adjoint
Stephen J. Weir, trésorier adjoint

EN MILLIERS

Trois mois terminés en septembre	
1972	1971
$ 49,178	$ 47,529
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1,341	83
$ 4,277	$ 2,940

Etat consolidé des revenus et dépenses

Revenus

Ventes
Revenus des titres négociables et des placements
Participation dans les bénéfices nets des compagnies possédées à 50%
Profit (perte) sur les ventes d'immobilisations et de titres négociables

Dépenses

Frais d'exploitation et d'administration
Amortissement
Intérêts
Dette à long terme
Autres

Bénéfice avant impôts sur le revenu
Impôts sur le revenu

Bénéfice net pour l'exercice

Par action ordinaire, après les dividendes sur les actions privilégiées (voir note)

Note : Le bénéfice pro forma par action ordinaire, après les dividendes sur les actions privilégiées et tenant compte de l'augmentation du nombre des actions ordinaires émises si toutes les obligations 5¾% convertibles datées du 12 octobre 1972 étaient converties, serait de $0.19 pour le trimestre terminé le 30 septembre 1972.

État consolidé de la provenance et de l'utilisation des fonds

Provenance des fonds

Bénéfice net pour l'exercice
Amortissement
Impôts sur le revenu reportés

Encaisse générée par l'exploitation
Diminution des titres négociables et avances

Utilisation des fonds

Remboursement sur la dette à long terme
Additions aux immobilisations
Dividendes
Autres

Diminution du fonds de roulement

Les résultats du premier trimestre

Avant de terminer mes observations, j'aimerais faire quelques brefs commentaires sur les résultats de notre premier trimestre d'exploitation. Les ventes consolidées pour les 13 semaines terminées le 30 septembre ont atteint $49.2 millions, comparativement à $47.5 millions pour la même période de l'an dernier. On doit noter que le premier trimestre de l'an passé comportait 14 semaines et incluait conséquemment une semaine additionnelle de ventes, alors que les chiffres de ce trimestre tiennent compte de l'exploitation de Hubbard Dyers et de Fiberworld Limited pour la première fois.

Les bénéfices après impôts pour ce trimestre se sont élevés à $587,000, soit 22 cents par action, par rapport à $479,000 ou à 18 cents par action ordinaire il y a un an. Le revenu par action, compte tenu de l'augmentation du nombre des actions ordinaires qui seraient en cours en assumant la conversion de toutes les obligations convertibles 5¾%, est de 19 cents pour les trois mois terminés le 30 septembre 1972.

Comme je vous l'ai indiqué auparavant, il est historiquement difficile de réaliser des profits d'exploitation substantiels pendant le premier trimestre de l'exercice financier. Les ventes de ce trimestre représentent d'habitude 20% du total de l'année alors qu'au moins 25% des frais généraux de l'année sont absorbés pendant cette période. Cela est le reflet de l'allure généralement modérée de l'activité pendant les mois d'été, attribuable en partie à la fermeture de nos usines pendant deux semaines pour les vacances, une coutume qui est également suivie par plusieurs de nos principaux clients.

le 12 octobre ; les obligations se vendent présentement avec une légère prime par rapport au prix d'émission.

Tous les avis et les renseignements que nous avons pu obtenir ont confirmé notre décision de procéder maintenant à l'obtention des sommes nécessaires plutôt que d'attendre les résultats des élections aux États-Unis et au Canada puisque les marchés et les taux d'intérêt demeuraient stables et favorables pour une émission de cette nature.

En ce qui a trait à la formule adoptée pour ce récent financement, nous sommes d'opinion qu'une émission d'obligations convertibles, comportant un coupon d'intérêt à un taux inférieur et l'attrait de la conversion par rapport aux cours actuels de nos actions sur le marché, est moins coûteux que l'émission d'actions additionnelles ou de droits qui auraient dû être offerts à un escompte substantiel, ou encore, des obligations ordinaires qui auraient porté un intérêt additionnel de 3% annuellement jusqu'à échéance. Bien plus, nous n'estimons pas que le facteur de dilution, à 14.7% est disproportionné. De toute façon, la conversion ne devrait pas s'effectuer pendant un certain nombre d'années d'ici l'échéance ; historiquement, les détenteurs d'obligations convertibles n'ont pas tendance à exercer précipitamment leur privilège de conversion même lorsque la valeur au marché des actions excédait le prix de conversion. Lorsque nos résultats d'exploitation justifieront finalement la conversion des obligations en actions, le capital additionnel suscitera une situation désirable et nécessaire en vue d'une autre phase de notre développement.

Le Conseil d'administration a également proposé, à sa réunion du mois d'août, une subdivision des actions ordinaires de la compagnie à raison de 3 pour 1. Une assemblée générale spéciale des actionnaires sera tenue immédiatement après l'assemblée annuelle ; vous serez alors invités à étudier le règlement sanctionnant cette subdivision. La subdivision créera évidemment un plus grand nombre d'actions en cours et réduira proportionnellement leur prix en bourse. Un plus grand nombre d'actions devrait tendre graduellement à améliorer le rythme des transactions et nous espérons qu'un prix inférieur rendra l'action plus attrayante au petit actionnaire individuel et conduira éventuellement à l'accroissement du nombre des actionnaires.

Le 23 août, les administrateurs ont approuvé l'enregistrement d'un prospectus préliminaire auprès des différentes commissions de valeurs mobilières du pays, faisant une offre publique de $15 millions d'obligations convertibles non garanties portant intérêt au taux de 5¾% échéant en 1992. Le privilège de convertir ces obligations en actions ordinaires peut être exercé par le détenteur pendant une période de 10 ans se terminant en octobre 1982. Chaque obligation de $1,000 est convertible en 30 actions ordinaires ce qui place un prix de $33⅓ sur les actions, comparativement à un prix de $29 au marché le jour précédent l'offre initiale. Si toutes les obligations sont finalement converties en actions ordinaires, il en résultera une addition de 450,000 actions, sur la base des actions non divisées, à celles déjà en cours.

L'émission a été souscrite et vendue avec succès à la fin de septembre par un groupe représentatif de courtiers canadiens en placements dirigé par Wood Gundy Limitée, et l'émission fut complétée

La planification financière

Les investissements projetés et la nécessité de maintenir un fonds de roulement convenable et de satisfaire aux besoins croissants de nos affaires, ont rapidement fait ressortir le besoin d'un financement additionnel à long terme, sous forme d'emprunt ou par une émission d'actions.

Il existait nécessairement un certain nombre de possibilités et chacune d'elles fut étudiée avec soin. Il fallait cependant réaliser qu'un nombre considérable de facteurs doivent être pondérés en tout temps et qu'un certain nombre d'objectifs doivent être atteints à longue échéance, lorsqu'on planifie les besoins de financement de la compagnie et la structure financière de l'entreprise. Après avoir étudié les options qui nous étaient offertes, et prenant en considération la situation des marchés des obligations à cette époque, nous croyons que les dispositions que nous avons prises se révèleront les plus avantageuses pour nos actionnaires, compte tenu des principes d'une administration financière prudente et responsable et du maintien d'une structure financière équilibrée.

L'un des plus importants de ces objectifs est évidemment de s'assurer que les intérêts de nos actionnaires soient sauvegardés et mis en valeur et qu'un revenu convenable et consistant sur leur investissement dans l'entreprise leur soit versé.

Au cours du mois d'août, les administrateurs ont signifié leur intention de fixer le dividende trimestriel à 24 cents, soit 96 cents par année. Le dividende trimestriel régulier était précédemment de 15 cents et ce depuis 1968. Le premier de ces dividendes trimestriels au nouveau taux fut déclaré par le Conseil d'administration à sa réunion de septembre et fut payé le 15 octobre.

usine de tissage Sherbrooke, et nous procédons à la réorganisation de nos quatre usines de filés commerciaux afin de satisfaire plus efficacement à la demande de nos clients. Ces projets, de même que nombre d'autres de même nature, sont en voie d'exécution ou seront réalisés au cours des quelques prochains mois.

Je devrais également vous informer de ce que, au cours des derniers mois, et avec la collaboration du syndicat et de nos employés, il a été possible d'appliquer le système de travail impliquant le roulement des postes, ce qui augmentera de 20% la capacité annuelle de production de notre usine de tissage Long Sault, tout en réduisant en même temps le nombre d'heures de la semaine de travail de l'employé et en augmentant sa paie nette. C'est la deuxième de nos usines qui, par le truchement de ce système particulier d'équipes, fonctionne sans interruption sept jours par semaine.

Évoluant dans une société où chacun s'attend à jouir de loisirs accrus et désire être payé pour ses temps libres, nous croyons fermement que l'on doit mettre en relief et reconnaître cette réalité économique à l'effet que le fardeau de salaires plus élevés et de loisirs accrus ne peut être assumé par l'industrie manufacturière canadienne sans une utilisation maximale de la capacité de production.

Les dépenses en immobilisations

La compagnie est bien au fait de la nécessité de compenser les augmentations de salaires et de gages par des améliorations de la productivité. Cette compagnie a accompli un travail remarquable dans ce domaine au cours des ans. Nous avons accéléré l'exécution de notre programme d'investissements au cours de l'année passée et nous continuerons à le faire pendant la présente année financière en vue d'améliorer encore notre efficacité quant aux coûts de production et d'accroître notre capacité de fabrication.

Nous procédons présentement à l'installation de rames additionnelles de blanchiment en continu et de teinture à nos usines de finition Beauharnois et Magog, et nous en sommes à la phase finale du programme d'automatisation des procédés de teinture des filés à notre teinturerie Mont-Royal, à Montréal. Ces réalisations, de même que l'acquisition récente de Hubbard Dyers et l'installation de machines rotatives pour l'impression au cadre à Magog, nous donneront une plus grande flexibilité et accroîtront notre compétence au plan de la fabrication au cours de l'année.

Nous avons entrepris le présent exercice financier avec le carnet de commandes le mieux rempli dans l'histoire de la compagnie, et on a pris la décision de tripler la capacité de production de tissus en polyolefin de notre usine Fiberworld, à Hawkesbury ; nous sommes à ajouter 110 métiers dans notre usine de tissage Long Sault ; nous augmentons notre production de tissus larges pour draps en remplaçant des métiers étroits par les plus modernes métiers ultra-rapides Sulzer, à notre

Les relations avec les employés

Vous aurez remarqué que lors de la publication du rapport annuel, nous avions alors signé des conventions collectives de travail d'une durée de trois ans pour toutes nos usines, à l'exception de trois usines de l'Ontario. Il m'est agréable de rapporter que nous avons conclu une entente, plus tôt au cours du présent mois, avec les syndicats représentant ces usines ; les contrats de travail ont maintenant été signés pour l'usine de tissage Long Sault, la filterie Long Sault et l'usine de tissage Caldwell.

Cette assemblée sera sans doute intéressée d'apprendre que, à l'exception de nos filiales, Dominion Textile emploie 8,000 personnes et que 41% d'entre elles comptent plus de quinze années de services ; de plus, 1,500 de ces employés sont membres de notre Club quart de siècle. Nous avons vraiment une importante équipe d'employés expérimentés et bien formés dans nos usines, et avec les développements technologiques qui se produisent dans notre industrie, notre compagnie est en mesure de fournir des emplois stables dans une gamme étendue de disciplines professionnelles et techniques incluant toutes les diverses spécialités de l'ingénierie et de l'ordination jusqu'aux fonctions diverses de l'opération de l'outillage hautement automatisé dans nos usines.

maximum de flexibilité et de diversité dans l'industrie, nous a permis de compter sur les autres segments du marché, et conséquemment, d'afficher une meilleure performance des bénéfices dans l'ensemble par rapport à l'année précédente.

Il ne fait aucun doute que l'industrie du tricot double au Canada et en réalité à l'échelle de l'univers, s'est engagée dans une difficile période d'ajustement, alors que l'offre rattrappe la demande, que le flot des importations sur le marché canadien s'accompagne d'une réduction des prix des monofilaments en polyester texturés utilisés pour la fabrication des tricots doubles, et ce, dans le monde entier. Il en est résulté une chute des prix des produits finis et des pertes sur les inventaires qui, l'une et l'autre, ont affecté les bénéfices. Notre approche particulière sous ce rapport fut de pleinement anticiper cette situation potentielle ; alors que les bénéfices provenant de cette source continueront à être touchés négativement pendant le reste de cette année, les tricots doubles se sont fermement imposés sur la scène de la mode, plus particulièrement dans le secteur des tenues habillées pour dames et messieurs, des pantalons tout aller et des vêtements de sport.

L'acquisition de Hubbard Dyers, en juin cette année, augmentera notre capacité d'agir et de soutenir la concurrence sur ce marché croissant. Nous sommes des plus encouragés par les conclusions récentes de la Commission du textile et du vêtement du gouvernement fédéral, lesquelles auront pour effet de prévenir une érosion additionnelle du marché canadien des tricots doubles, grâce à l'imposition de contingentements à l'égard du Japon, de Formose, de Hong-Kong et de la Corée du Sud.

Allocution du président RONALD H. PEROWNE aux actionnaires

J'espère sincèrement que nos actionnaires partagent avec les administrateurs, la direction et les employés de cette compagnie, une certaine satisfaction des résultats réalisés au cours de l'exercice financier terminé le 30 juin.

Dominion Textile est jeune de 67 ans, ayant été fondée en 1905. Depuis lors, elle a relevé nombre de défis ; elle a eu sa large part d'épreuves et de tribulations, et même s'il reste beaucoup à accomplir, votre compagnie a atteint de nouveaux sommets dans ses réalisations au cours de l'année, et ce, dans pratiquement tous les secteurs de son activité.

Nous avons constamment signalé le principe fondamental en vertu duquel il est impossible d'améliorer le niveau des bénéfices dans l'industrie des textiles à moins que les usines ne fonctionnent à plein rendement. Au cours de l'année qui vient de s'écouler, nous avons maintenu un carnet de commandes qui, à quelques rares exceptions, nous a permis d'exploiter nos facilités considérables de production vingt-quatre heures par jour cinq jours par semaine, et six jours dans plusieurs usines.

N'eut été la chute rapide des prix des tricots doubles sur les marchés mondiaux au cours des six derniers mois de notre année financière, nous aurions encore amélioré nos bénéfices. Heureusement pour Dominion Textile, la vigueur découlant de notre politique visant à maintenir le degré

Table des matières

RÈGLEMENT XLV

Le règlement XLV autorisant la subdivision des actions ordinaires à raison de 3 pour 1 a été sanctionné à une assemblée générale spéciale des actionnaires. Le résultat du vote fut : 1,655,631 actions en faveur, soit 99% des votes enregistrés, et 209 actions contre.

dominion
textile
limitée

FAITS SAILLANTS DE L'ASSEMBLÉE ANNUELLE 1972 ET RAPPORT INTÉRIMAIRE

pour le trimestre
terminé en
septembre 1972

dominion textile limited
and subsidiaries

interim report
26 weeks ended December 30, 1972

In the quarter ended December 30, 1972 both sales and earnings showed improvement over the results for the same quarter a year ago.

Sales increased to $63 million in the quarter for a total of $112 million in the first half of the fiscal year compared with $105 million last year.

For the first time earnings per common share are expressed on the basis of the increased number of shares outstanding resulting from the 3 for 1 subdivision of common shares, approved by the shareholders on October 18. The earnings per common share for the quarter were 27¢ compared with 23¢ a year ago and were 34¢ for the first half year against 29¢ in the first half of the last fiscal year.

As previously reported, on December 27 we acquired the balance of the outstanding shares of The Esmond Mills Limited of Granby, Quebec. Dominion Textile Limited had owned 50% of that company since 1960. Esmond is the largest manufacturer of polyester blankets in Canada.

The outlook for the balance of the fiscal year remains favourable as a result of the continuing strong demand for the company's products together with the added contribution of recently acquired subsidiaries.

R. H. Perowne
President

Montreal, January 25, 1973

CONSOLIDATED STATEMENT OF INCOME

	THOUSANDS			
	13 weeks December 30 1972	13 weeks January 1 1972	26 weeks December 30 1972	27 weeks January 1 1972
Revenue				
Sales	$63,169	$ 57,556	$112,347	$105,085
Income from marketable securities and investments	68	73	123	168
Equity in net income of 50% owned companies	122	108	208	109
Profit (loss) on sale of fixed assets and marketable securities	21	38	142	(26)
	63,380	57,775	112,820	105,336
Expenses				
Operating and administrative	55,211	50,045	99,898	92,909
Depreciation	2,743	2,988	5,415	5,668
Interest				
Long term debt	759	632	1,346	1,252
Other	537	465	1,133	891
	59,250	54,130	107,792	100,720
Income before income taxes	4,130	3,645	5,028	4,616
Income taxes	2,045	1,849	2,356	2,341
Net income for the period	$ 2,085	$ 1,796	$ 2,672	$ 2,275
Per common share, after preferred dividends	$ 0.27	$ 0.23	$ 0.34	$ 0.29
Per common share, after preferred dividends and assuming conversion of all 5¾% convertible debentures	$ 0.24		$ 0.30	

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	THOUSANDS	
	26 weeks December 30 1972	27 weeks January 1 1972
Source of Funds		
Net income for the period	$ 2,672	$ 2,275
Depreciation	5,415	5,668
Deferred income taxes	1,457	189
Cash generated from operations	9,544	8,132
Proceeds from issue of 5¾% convertible debentures	15,000	
Decrease (increase) in marketable securities and advances	1,797	(54)
	$26,341	$ 8,078
Use of Funds		
Repayment of long term debt	$ 1,896	$ 1,991
Additions to fixed assets	9,985	3,143
Dividends	1,663	1,586
Other, including investments in subsidiary and affiliated companies	1,681	496
	15,225	7,216
Increase in Working Capital	11,116	862
	$26,341	$ 8,078

AR42

dominion textile limitée
et ses filiales

rapport intérimaire
26 semaines terminées le 30 décembre 1972

Au cours du trimestre terminé le 30 décembre 1972, les ventes et les bénéfices ont permis de réaliser une amélioration par rapport au même trimestre de l'année précédente.

Les ventes ont atteint $63 millions durant le trimestre totalisant $112 millions pour la première demie de l'exercice comparativement à $105 millions pendant la période correspondante l'an dernier.

Les bénéfices par action ordinaire tiennent compte pour la première fois de l'augmentation du nombre des actions ordinaires résultant de leur subdivision à raison de 3 pour 1 approuvée par les actionnaires le 18 octobre. Les bénéfices par action ordinaire se sont chiffrés à 27¢ par rapport à 23¢ l'année dernière et ont atteint 34¢ pour la première demie comparativement à 29¢ pour la première demie du dernier exercice financier.

Comme nous l'avons mentionné précédemment, le 27 décembre nous avons fait l'acquisition du reste des actions en cours de The Esmond Mills Limited de Granby, au Québec. Depuis 1960, Dominion Textile Limitée possédait à 50% cette compagnie. Esmond est le plus important manufacturier de couvertures en polyester au Canada.

Les prévisions pour la demie de l'exercice en cours demeurent à un niveau favorable à la suite de la forte demande continue pour les produits de la compagnie et à l'apport supplémentaire des acquisitions récentes des nouvelles filiales.

Le président
R. H. Perowne

Montréal, le 25 janvier 1973

ÉTAT CONSOLIDÉ DES REVENUS ET DÉPENSES

	EN MILLIERS			
	13 semaines 30 décembre 1972	13 semaines 1er janvier 1972	26 semaines 30 décembre 1972	27 semaines 1er janvier 1972
Revenus				
Ventes	$63,169	$ 57,556	$112,347	$105,085
Revenus des titres négociables et des placements	68	73	123	168
Participation dans les bénéfices nets des compagnies possédées à 50%	122	108	208	109
Profit (perte) sur les ventes d'immobilisations et de titres négociables	21	38	142	(26)
	63,380	57,775	112,820	105,336
Dépenses				
Frais d'exploitation et d'administration	55,211	50,045	99,898	92,909
Amortissement	2,743	2,988	5,415	5,668
Intérêts				
Dette à long terme	759	632	1,346	1,252
Autres	537	465	1,133	891
	59,250	54,130	107,792	100,720
Bénéfice avant impôts sur le revenu	4,130	3,645	5,028	4,616
Impôts sur le revenu	2,045	1,849	2,356	2,341
Bénéfice net pour l'exercice	$ 2,085	$ 1,796	$ 2,672	$ 2,275
Par action ordinaire, après les dividendes sur les actions privilégiées	$ 0.27	$ 0.23	$ 0.34	$ 0.29
Par action ordinaire, après les dividendes sur les actions privilégiées en présumant la conversion de la totalité des obligations convertibles de 5¾%	$ 0.24		$ 0.30	

ÉTAT CONSOLIDÉ DE LA PROVENANCE ET DE L'UTILISATION DES FONDS

	EN MILLIERS	
	26 semaines 30 décembre 1972	27 semaines 1er janvier 1972
Provenance des fonds		
Bénéfice net pour l'exercice	$ 2,672	$ 2,275
Amortissement	5,415	5,668
Impôts sur le revenu reportés	1,457	189
Encaisse générée par l'exploitation	9,544	8,132
Produit de l'émission des obligations convertibles de 5¾%	15,000	
Diminution (augmentation) des titres négociables et avances	1,797	(54)
	$26,341	$ 8,078
Utilisation des fonds		
Remboursement sur la dette à long terme	$ 1,896	$ 1,991
Additions aux immobilisations	9,985	3,143
Dividendes	1,663	1,586
Autres, incluant les placements dans des filiales et compagnies affiliées	1,681	496
	15,225	7,216
Augmentation du fonds de roulement	11,116	862
	$26,341	$ 8,078